

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION JOINT APPROPRIATIONS SUBCOMMITTEE ON INFORMATION TECHNOLOGY

Call to Order: By **CHAIRMAN TOM ZOOK**, on January 17, 2001 at 7:00 A.M., in Room 102 Capitol.

ROLL CALL

Members Present:

Sen. Tom Zook, Chairman (R)
Rep. Matt McCann, Vice Chairman (D)
Rep. John Brueggeman (R)
Sen. John Cobb (R)
Rep. Dick Haines (R)
Sen. Greg Jergeson (D)
Sen. Royal Johnson (R)
Rep. Dave Lewis (R)
Rep. Monica Lindeen (D)
Sen. Linda Nelson (D)
Sen. Jon Tester (D)

Members Excused: Rep. Stanley Fisher (R)

Members Absent: None.

Staff Present: Greg DeWitt, Legislative Fiscal Division
Prudence Gildroy, Committee Secretary
Mary Beth Linder, OBPP
Christi Tyson, OBPP

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: INFORMATIONAL MEETING ON
INFORMATION TECHNOLOGY,
1/20/2001

SEN. JOHN COBB wanted to know how the information presented would relate to ISD rate increases and what the information was leading up to. **CHAIRMAN TOM ZOOK** replied that the information would lead up to presenting the budget. **Greg DeWitt, Legislative Fiscal Division**, answered that the reason was to make members of the

committee Information Technology experts, and then to consider the budget.

Tony Herbert, Department of Administration, then presented part III of The Status of Information Technology, Reinventing the Face of Government. Part IV will be concerned with the ISD budget. Part V will be a short presentation on rates. The Information Technology Management Study report was the result of an interim study. The LFC concurred with subcommittee recommendations to enact guiding policies, create a Department of Information of Technology Board, provide for legislative oversight of state information technology (IT), and consolidate IT statutes. However, a new department will not be created. SB 131, carried by **SEN. MIKE TAYLOR**, concerns improving planning and legislative oversight. **Mr. Herbert** stated the need to continue to make investments in telecommunications and e-government (both in budget), agency system investments, standards-based investments, and staff. He explained SUMMITNET II, the integration of voice, video and data networks. The department has entered into contracts with Qwest, Century Telephone, Touch America, Cisco Systems and Rural Co-ops.

REP. MATT McCANN asked about Cisco Systems. **Mr. Herbert** explained that Cisco Systems provides routing equipment and is one of the leading providers of internet equipment in the world. **REP. McCANN** inquired about Touch America. **Mr. Herbert** explained that Touch America carries the inter-LATA communications between the east and west parts of the state.

SEN. GREG JERGESON commented that Qwest's expansion of rural service areas (with services like DSL) should be acknowledged.

SEN. ROYAL JOHNSON asked what possibilities were available to eliminate the LATA line. **Mr. Herbert** stated that the discussion is going on in Washington (D.C.) regarding LATA lines, which were created as part of deregulation. There is no prediction of when that will happen, but the possibility exists.

Mr. Herbert then discussed e-government. He stated that no large appropriations will be needed. The vision statement concerning e-government will have 8 guiding principles.

EXHIBIT(jih13a01)

A guide for the states for digital government was introduced.

EXHIBIT(jih13a02)

The building blocks of e-government will be portals, policy, trust and security, payments, and applications and tools. Portals provide a single point of entry. The state web site is discoveringmontana.com. Trust and security will be provided by the National Information Consortium (NIC). Payment methods will

be by credit card, electronic cash or ACH debit/credit. Applications and tools refer to the systems that provide the services. Current systems will be web-enabled, existing systems will have increased capabilities, and new systems will be developed. The Electronic Government Advisory Council, created through a Governor's Executive Order, will advise on: the creation, management and administration of e-government services and oversight of the contractor; prioritizing and approving projects; financial reports, management reports, and the service management business plan of the contractor; distribution of revenue from the transaction fund; and growth, performance and utilization of the portal. He explained the self-funded model through convenience fees (vs. appropriation). NIC USA, Inc. will be the private partner in IT.

REP. MONICA LINDEEN asked how the responsibilities of the new Council created by executive order would interact with the CIO. **Mr. Herbert** answered that the IT Board will be the top policy group at the highest level of the state. Members will become experts in e-government.

Mr. Herbert explained the contract with NIC. NIC has contracts with 13 other states and is a leader in the e-government market sector.

SEN. ROYAL JOHNSON asked about the size and dollar amount of the contract, the length, whether it was in the budget earlier, and who pays for the situation. **Mr. Herbert** answered that the contract was for five years. There is a sharing of risk, with NIC investing in the infrastructure. Convenience fees will come into a transaction fund. The transaction fund will fund NIC, offset their investment and fund future development and investments here. **SEN. JOHNSON** repeated his question, how much did it cost, was it in the budget before, was it in the expenditure items before and is it in the current budget. **Mr. Herbert** replied that there was no direct appropriation in the budget and no number in the contract. The company has agreed to invest in technology and work with the government through the structure of the council for successful services on the internet. There will be fees attached to the services and there is no direct appropriation in the budget.

REP. DAVE LEWIS stated that convenience fees sounded like a tax increase. He wondered under what authority that was levied. His opinion was the convenience fees would increase taxes for everyone doing business with the state. **Mr. Herbert** disagreed that the convenience fee was a tax increase. One of the applications that is proposed to have a convenience fee is for vehicle registration. An individual would have the choice to

register a vehicle on the internet for a \$5 convenience fee to pay for costs associated with paying for the convenience of obtaining a vehicle registration from home. Another example was insurance companies accessing drivers' license information when issuing auto insurance policies. The proposed fee would be \$2 for instantaneous information. Banks need other information rapidly. They would pay a fee for the convenience of getting information faster than they currently do for what they currently pay for the information. This is the self-funded model.

REP. DICK HAINES stated his immediate reaction was that, no matter how good the idea, whether taxes or fees, that its outside the purview of the legislature. He advised putting something together that answers those kinds of questions. **Mr. Herbert** assured him that if legislation is needed to clear up the issue, that can be done. MCA 2-6-110(2) holds that the state may recover its costs associated with providing information through its computer systems. When people request information from the state that is held electronically, the state can recover costs associated with that. The opinion of the Department of Administration is that statute provides the ability to recover the costs associated with (e-government). If that is not the case, an acceptable solution needs to be found.

SEN. JOHNSON asked who would be hiring the initial staff. **Mr. Herbert** said NCI was responsible for those costs, which are expected to be \$700,000 annually. The insurance (drivers' license) application is a highly accessed database. Many of the insurance companies that use the service are out of state companies. Approximately 10% of all applications would have convenience fees attached. Others would be provided at no additional cost because there is not enough volume to create a service fee. In Utah, fishing licences are provided through e-government at no additional fee beyond the cost of the license.

REP. MATT McCANN asked about the total investment by NIC, and if the fees are financing the investment. **Mr. Herbert** stated that the company had incorporated itself in the state under the name Montana Interactive, Inc. The initial staff is seven, and \$100,000 has been invested in equipment. Estimated yearly expenses are \$700,000. **REP. McCANN** inquired that if the company has come in and set up the infrastructure and is receiving convenience fees, does the state receive the infrastructure when the company is done. **Mr. Herbert** said that the contract contained transition language that if the contract is terminated for any reason, the infrastructure comes to the state, including rights to the software that was developed to do the business. The contract is a five-year contract with renewable capabilities.

If the contract is not successful, the state can terminate the contract.

REP. McCANN inquired about the projections made by NIC. **Mr. Herbert** offered to bring that information to the next meeting. He stated that a loss was predicted in year one, earnings in year two were 4% of total costs, and year five would have total earnings of 15%.

SEN. JOHNSON asked about the (involvement of) the interim committee. **Mr. Herbert** stated that the interim committee did not deal with this specific subject. **SEN. JOHNSON** wondered where they got the policy authority to make that kind of a decision. **Mr. Herbert** stated that the authority was vested in the Department of Administration to manage Information Technology. In terms of the self funding issue, the question is whether the current statute is adequate. The legal opinion of the staff attorney was that it was adequate in order to recover costs associated with providing access to information services. **SEN. JOHNSON** asked if that particular section of law was wide enough to include any department.

REP. LEWIS expressed the opinion that a contract with a private company paid a million dollars to develop the system and paid for by levying fees on people who do business with the state while relying on a statute that says they can charge for information from people who request it is a house of cards and suggested that they might want to think that one through. **Mr. Herbert** assured the committee of the willingness (of his department) to do whatever was needed to work through the issue (2-6-110).

REP. HAINES thought the point was missed. He sensed a need for greater legislative involvement. Changing the whole way of doing government based on one statute would need more legislative oversight.

SEN. JERGESON commented one of the reasons the committee was in place was to find a venue for legislative involvement. He did not recall the legislature's involvement when the decision was made to mail out cards for license renewal with the choice to pay an extra \$2 for the convenience of paying by mail. Electronic services may be similar. One of the reasons for the committee is to address this type of concern.

Mr. Herbert then presented information on fee-based applications that NIC has developed in other states. He presented NIC contract details. The five-year contract is funded to recover costs through convenience fees (\$2 - \$5 per transaction). NIC manages portal customer accounts, transaction funds and is

responsible for bad debt. NIC integrates their applications with state systems and NIC will be responsible for data security. The contract has detailed transition language in case of contract termination. One FTE will be required for vendor oversight, which is in the budget request. The state maintains control of content, data and policies. NIC established a Montana company (Montana Interactive, Inc.) and will market the services. There is an aggressive schedule of establishing 14 services by July, 2001. He provided a list of services and proposed fees and summarized Montana's e-government strategy for portals, trust and security, payment, applications and tools, and policy.

EXHIBIT (jih13a03) EXHIBIT (jih13a04)

CHAIRMAN ZOOK asked how much input the state would have on fees charged by NIC. **Mr. Herbert** answered that the proposed fees were asked for in the bid, the fees were provided by NIC, and the executive council would approve fees. **CHAIRMAN ZOOK** asked about the contract language. **Mr. Herbert** replied that the contract says that those kinds of decisions will be handled by the IT office and the executive council. The executive council is built into the contract with NIC and is a model that they have used in other states.

REP. LINDEEN inquired about the structure of the council. **Mr. Herbert** stated that the structure was out of the Governor's office, the Governor's council on e-government. It would be staffed by the Department of Administration ISD. The membership includes the DOJ, Secretary of State, DOR, a local government representative, the private sector, and a NIC representative.

REP. LINDEEN expressed the opinion that it would be advantageous to have a legislative presence on the council. **Mr. Herbert** said that could be taken up with the Governor's office.

REP. HAINES reiterated that with the extent to which this program is being set up involving so many phases of state government, that his initial reaction was that a Governor's executive order setting up the council seemed a little weak and that something was needed in statute. **Mr. Herbert** said that if legislation is needed, although it was not felt to be absolutely required, it could be drafted. Some committees in other states are set up in statutes. The intention was not to go around the legislature.

ADJOURNMENT

Adjournment: 8:15 A.M.

SEN. TOM ZOOK, Chairman

PRUDENCE GILDROY, Secretary

TZ/PG

EXHIBIT(jih13aad)